

Overview: State and Local Revenue Sources



SENATE FINANCE
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Government Structure in NC



State

- May enact any laws, except as limited by federal law and the NC Constitution

County

- May only take actions specifically authorized by the General Assembly

City

- May only take actions specifically authorized by the General Assembly

Governmental Responsibilities



State

- Education
- Courts
- Highways

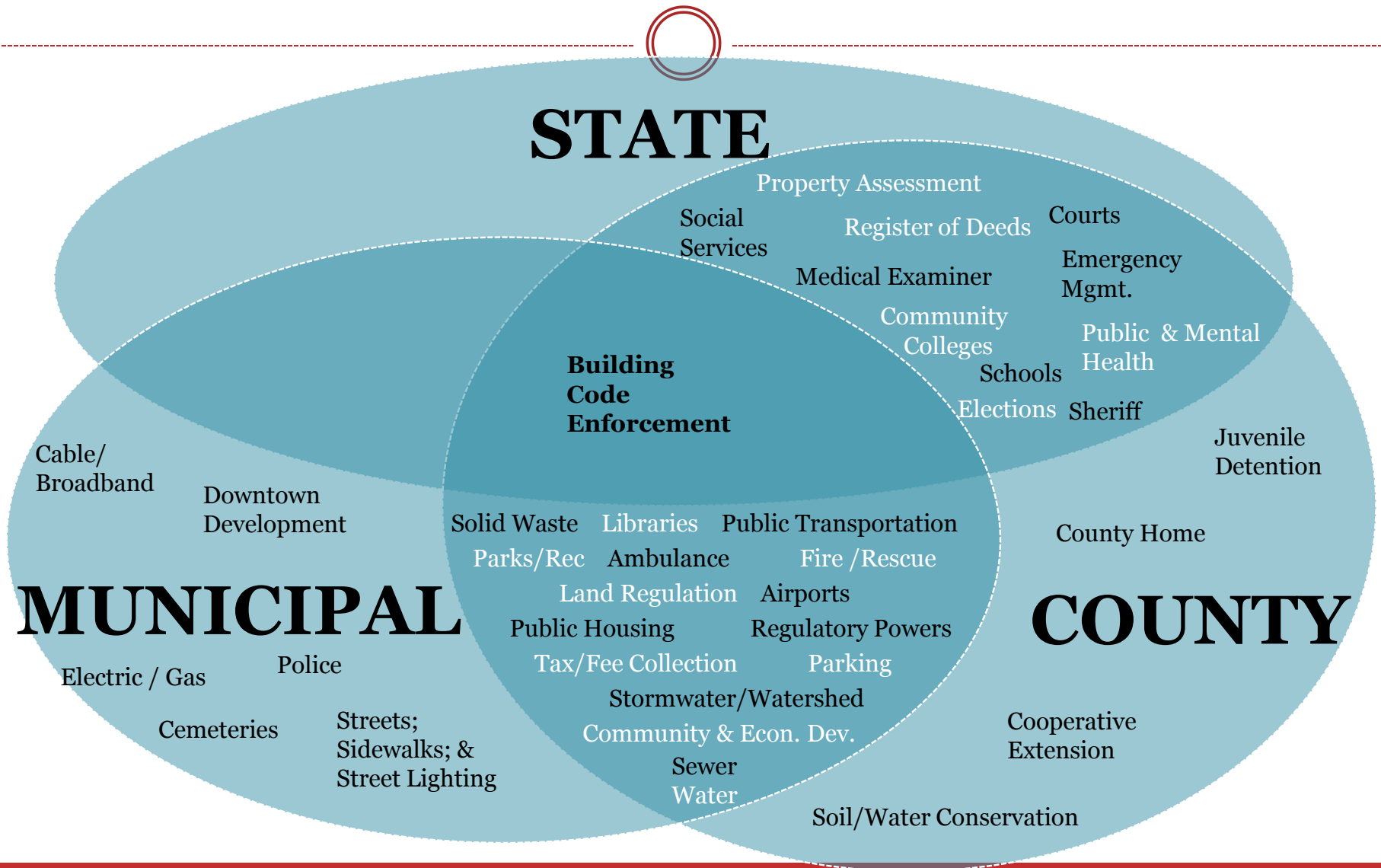
County

- Human services at local level
- School construction

City

- Water and sewer
- Fire protection

Governmental Responsibilities



General Fund Revenue Sources



State

- Income & Franchise taxes
- Sales taxes

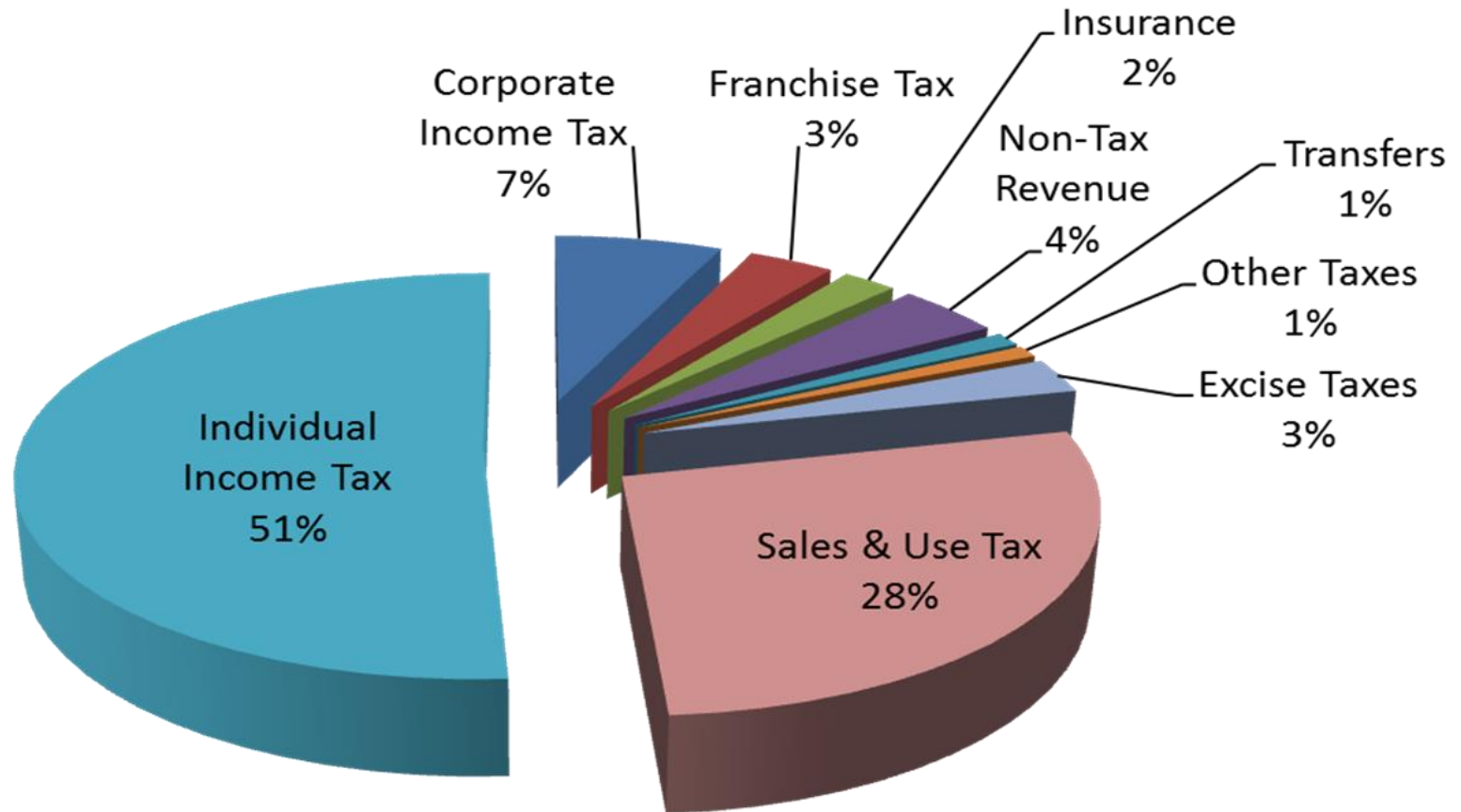
County

- Property taxes
- Sales taxes

City

- Utility revenues
- Property taxes

State GF Revenue Sources (\$billions)



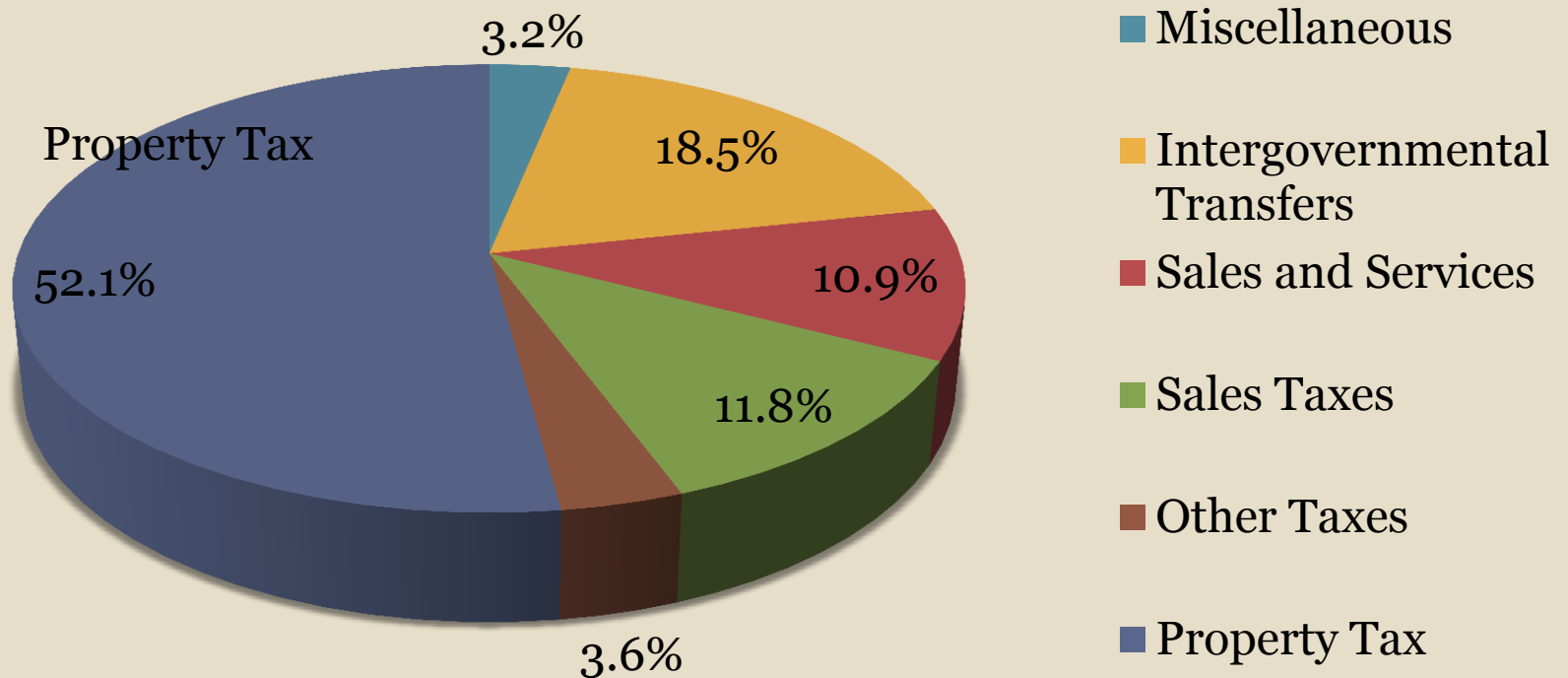
FY 2013-14

\$20.15 Billion

County Revenue Sources (\$billions)



FY 2012-13 County Revenues

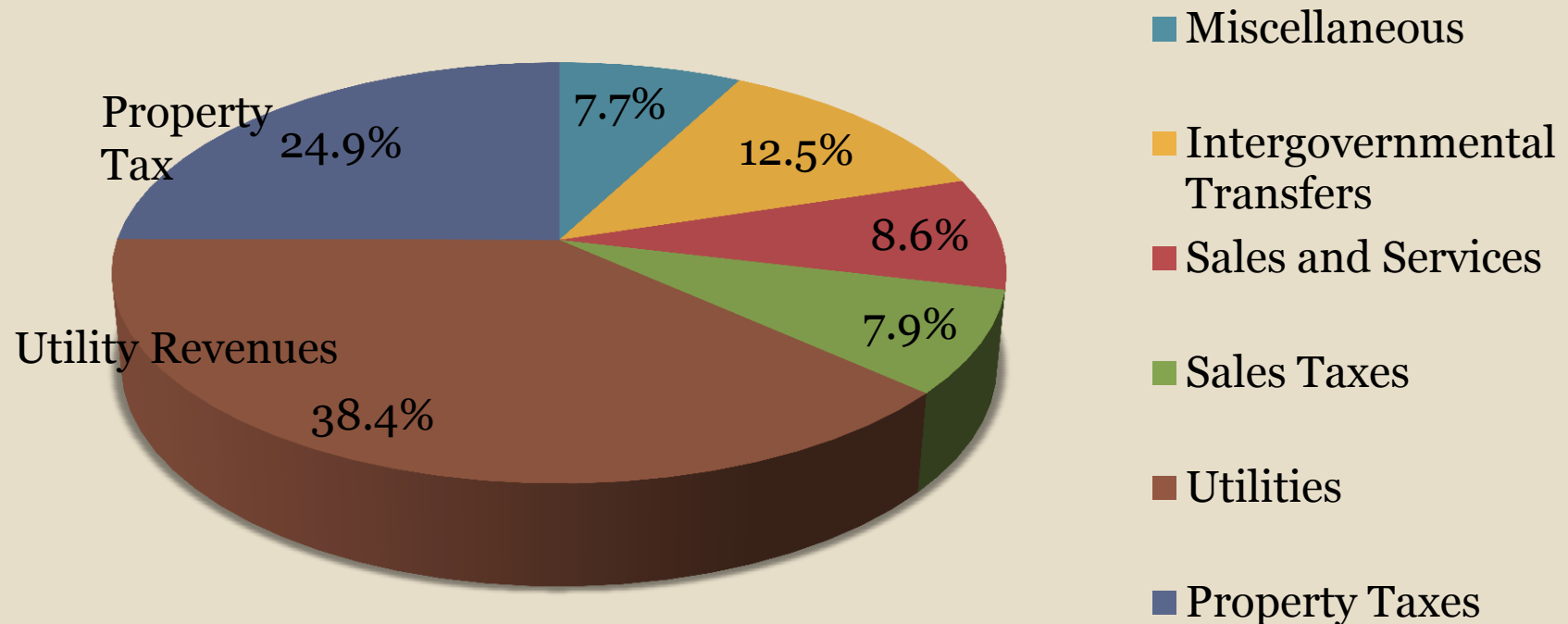


Source: UNC School of Government

Municipal Revenue Sources (\$billions)



FY 2012-13 Municipal Revenues



Source: UNC School of Government

Sales and Use Taxes



28% OF STATE GENERAL FUND REVENUES

12% OF COUNTY REVENUES

8% OF CITY REVENUES (SHARED REVENUE)

Streamlined Sales Tax Agreement

Created in 1999

Voluntary, cooperative effort of states

Simplification and uniformity

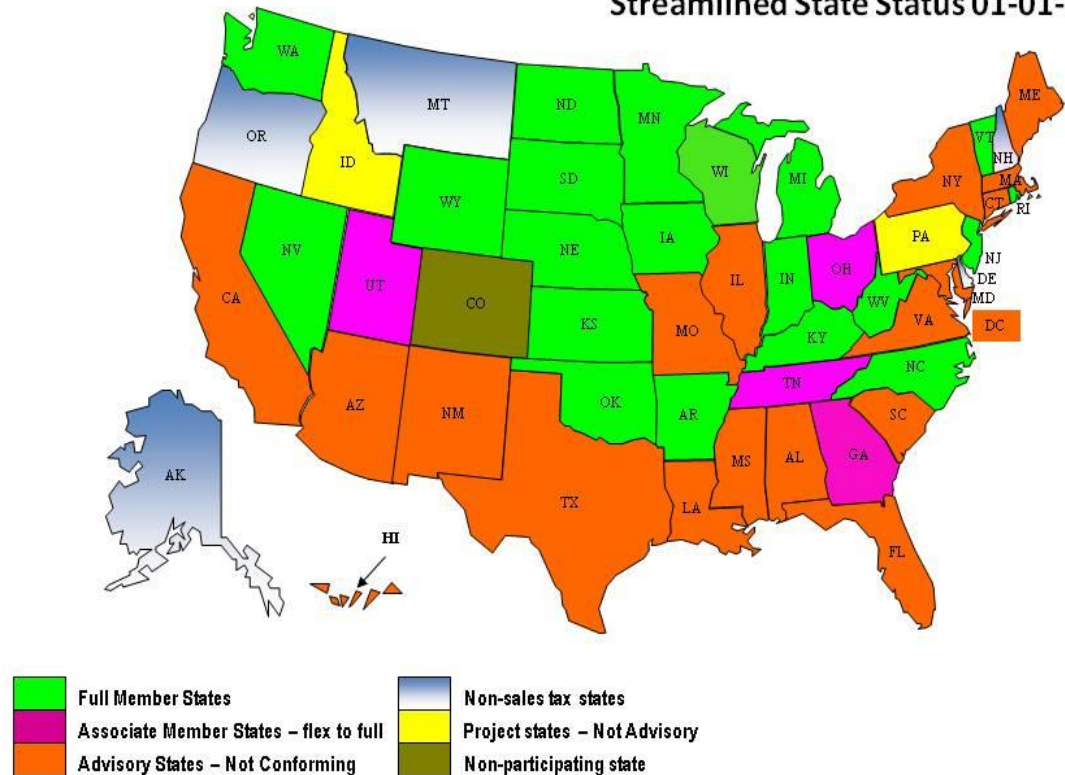
Uniform State and local base

One State rate, with some exceptions

Uniform definitions

Uniform sourcing rules

Streamlined State Status 01-01-11



State Sales Tax Base and Rates



General Rate

- 4.75%
- Applies to:
 - Tangible personal property
 - Accommodations
 - Digital property
 - Admission charges
 - Service contracts
- ALSO is the base for the following local sales taxes:
 - County, share with cities (2%)
 - County only ($\frac{1}{4}\%$)
 - Public transportation ($\frac{1}{4}\%$ or $\frac{1}{2}\%$)

Combined General Rate

- 7%
 - General rate (4.75%) + sum of local rates authorized for all counties (2.25%)
- Applies to:
 - Telecommunications service
 - Video programming
 - Spirituous liquor
 - Electricity and piped natural gas
- Part of the revenue from these taxes are shared with counties and cities

Other SSTA Exceptions



- Food
 - Local sales tax base only
 - 2%
- Aircraft and boats
 - 3% State sales tax
 - Maximum tax of \$1,500
- Manufactured homes and Modular homes
 - 4.75 general rate of tax
 - Specifically excluded from the local sales tax base

Sales Tax Exemptions and Refunds



Exemptions





- Subject to another tax
- Business inputs
- Serves a governmental entity
- Public policy decision
 - Prescription drugs
 - Food
 - Religious and charitable
 - Economic incentives

Refunds

- Sub-state governments
- Nonprofit entities
 - An aggregate cap of \$31.7m State/\$13.3m local
 - Religious, charitable, nonprofit hospitals, nonprofit educational institutions
- Economic incentives

Local Sales Tax Rates and Distributions



1 st 1 cent Art. 39		Any lawful purpose	Point of collection
1 st ½ cent Art. 40		Counties - 30% school capital	Per capita
2 nd ½ cent Art. 42		Counties - 60% school capital	Per capita Point of collection
¼ cent Art. 46		Any lawful purpose	Point of collection – <i>distributed to County only.</i>

Distribution between counties and cities is either per capita or ad valorem

Local Sales Tax Distribution re: Food



1/2 Per Capita Basis

- Adjust the amount allocated to each county per the adjustment factor
 - 1/2 of this amount is allocated under Article 40 (30% earmark)
 - 1/2 of this amount is allocated under Article 42 (60% earmark)

Remaining 1/2

- Allocate proportionately to each county
 - Based upon the amount of sales tax on food collected in the county in the 1997-98 fiscal year under Article 39 (point of collection)
 - Allocated under Article 39 (no restriction as to use)

“The Adjustment Factor”



- How do you source a sale?
 - Prior to 1988: Destination-based sourcing
 - S.L. 1987-832: Situs of sale considered to be the retailer's place of business.
 - ✦ Change in situs from the purchaser's county to the seller's county would have resulted in a shift of revenues by certain counties
 - ✦ To hold counties harmless, the adjustment factor was created and applied to the per capita distributions of the local sales tax
 - S.L. 2001-347: Return to destination-based sourcing
 - ✦ Part of conforming to the provisions of the SSTA
 - ✦ Although 2001 law returned to the prior sourcing rule, the adjustment factor was not discussed or repealed

Other Revenue Sources



6% OF GENERAL FUND REVENUES

Other General Fund Revenues



State Revenue

- Privilege tax
- Excise tax on tobacco products
- Excise tax on machinery and equipment
- Gross premiums tax on insurance companies

State Share Revenue

- Excise tax on beer, wine, and alcohol
- Excise tax on unauthorized substances
- Excise tax on scrap tires, white goods, and solid waste disposal
- Excise tax on conveyances

Income and Franchise Taxes



61% OF GENERAL FUND REVENUES

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